

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7716**

**BILL NUMBER:** HB 1553

**DATE PREPARED:** Feb 9, 2001

**BILL AMENDED:** Feb 8, 2001

**SUBJECT:** Independent Contractor Documentation.

**FISCAL ANALYST:** Chuck Mayfield

**PHONE NUMBER:** 232-4825

**FUNDS AFFECTED:** X **GENERAL**  
X **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill exempts an owner who contracts for performance of work on the owner's owner-occupied residential property from the requirement that a certificate of worker's compensation insurance be secured from a contractor. It provides that a fee of \$20 must accompany the documentation required to be filed with the Worker's Compensation Board in support of an independent contractor's status. It also provides that 80% of the filing fee concerning independent status shall be deposited in the Worker's Compensation Supplemental Administrative Fund and used for expenses of the Worker's Compensation Board, and that 20% be deposited in the Independent Contractor Information Account in the State General Fund. The bill specifies documentation required to be filed with the Worker's Compensation Board in support of an independent contractor's status. It provides that a validated affidavit of exemption of worker's compensation coverage becomes effective seven business days after the date of receipt by the Worker's Compensation Board. This bill provides that a contractor who knowingly or intentionally causes or assists employees to file an affidavit of exemption commits a Class D felony. It makes conforming amendments.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** (Revised) The bill provides that a contractor who knowingly or intentionally causes or assists employees to file an affidavit of exemption commits a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$20,700 in FY 1999. Individual facility expenditures ranged from \$14,936 to \$37,807. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

**Explanation of State Revenues:** (Revised) The current fee for an independent contract is \$5 with 50% of the fee going to the Worker's Compensation Supplemental Administrative Fund and 50% going to the Independent Contractor Information Account in the State General Fund. The \$5 fee raised \$43,379 in FY 2000. Assuming that the new fee would raise four times the revenue, then the increase in revenue for the Worker's Compensation Supplemental Administrative Fund would be about \$117,000, and the increased revenue for the Independent Contractor Information Account in the State General Fund would be about \$13,000.

If additional court cases occur and fines are collected due to the new Class D felony, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class D felony is \$10,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** (Revised) If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average cost per day is approximately \$44.

**Explanation of Local Revenues:** (Revised) If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** Department of Correction.

**Local Agencies Affected:** Trial courts, local law enforcement agencies. Workers Compensation Board.

**Information Sources:** Indiana Sheriffs Association, Department of Correction. Workers Compensation Board.